Dear Sir/Madam

SUBMISSION: DRAFT BGR ON DOCUMENTARY PROOF IN RELATION TO THE DEDUCTION OF INPUT TAX ON IMPORTATION

Introduction

1. Thank you for affording the South African Institute of Chartered Accountants VAT subcommittee (a subcommittee of the National Tax Committee) the opportunity to provide our feedback and inputs on the above matter.

2. Below are our comments. You are welcome to contact us should you wish to clarify any issue.

Background

3. The draft BGR sets out the documentary proof required to claim input tax in respect of VAT paid on the importation of goods.

4. The document to a large extent repeats the requirements already contained in the VAT Act. The only real ruling contained in the draft BGR deals with the content of the statement that must be issued by import agents.

Purpose of the BGR - page 1

5. We recommend that the first paragraph under Heading 1 (titled ‘Purpose’) be broken up into two paragraphs.

6. Submission: The second paragraph should begin with “It further lists ….” This will make it clear that the ruling deals with two distinct separate issues.
7. **Submission**: SARS could also consider splitting the two issues into two separate BGRs, as it is essentially two related but independent issues addressed in a single BGR.

### Heading 2 - Background - page 1

8. The first paragraph begins with "A vendor". Technically every person that imports goods is subject to importation VAT. We appreciate that the draft BGR is aimed at vendors seeking input tax deductions; hence the reference to “vendor”.

9. **Submission**: It is submitted that, for technical accuracy, SARS reconsiders the current wording.

10. Towards the end of the first paragraph it states "… for the purpose of making taxable supplies …" This creates the impression that only VAT on goods imported for resale qualifies as recoverable input tax.

11. **Submission**: It is submitted that the wording the changed to “…..purpose of [consumption, use or supply in the course of] making taxable supplies.”

### Heading 2.1 - The bill of entry or other customs documents reflect the vendor as the importer [section 16(2)(d)] - page 2

12. **Submission**: It is submitted that the reference to “tax” in the second bullet point be changed to “… payment of the importation VAT …”

### Heading 3 - Ruling - page 3

13. The ruling contained in paragraph 2 under heading 3 overrides the specific requirements of section 54(3)(b)(ii) of the VAT Act.

14. **Submission**: It is consequently submitted that SARS indicate whether the ruling is made under section 72 of the VAT Act.

### Conclusion
15. We welcome the alignment of SARS' compliance requirements with operational realities. From a technical perspective we recommend that the issues raised above be considered before the final BGR is issued.

Yours sincerely

Christo Theron
CHAIRMAN: VAT Sub-Committee

Pieter Faber
PROJECT DIRECTOR: Tax